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C O N F I D E N T I A L ASUNCION 000734

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STATE FOR WHA/BSC (CCROFT, BFRIEDMAN), S/CT (GNOVIS,  
ASIERRA), INL (JSHOWELL, RHAWKINS)  
TREASURY FOR CCORREA, FINCEN

E.O. 12958: DECL: 07/26/2027

TAGS: [ECON](#) [PREL](#) [PGOV](#) [PTER](#) [EFIN](#) [SNAR](#) [PA](#)

SUBJECT: PARAGUAY'S NEW ANTI-MONEY LAUNDERING CHIEF

REF: A. ASUNCION 714

[¶](#)B. SECSTATE 113762

Classified By: Ambassador James C. Cason; reasons 1.4 (b) and (d).

Paragraph 9 of this cable contains an action request.

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SUMMARY  
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[¶](#)1. (C) Ambassador discussed USG expectations with SEPRELAD's new director, Gabriel Gonzalez, August 30. Gonzalez expressed his disappointment that the Paraguayan government "abandoned" SEPRELAD and allocated only USD 200,000 to the organization for the coming fiscal year. The Ambassador noted Gonzalez would have to work to re-establish U.S. confidence and suggested he demonstrate his leadership by agreeing to submit (along with his staff) to regular polygraphs; Gonzalez readily agreed. The Ambassador also urged Paraguay to pay its late dues to the Financial Action Task Force for South America (GAFISUD) and to pass terrorist finance legislation before the Egmont Group's May 2008 plenary; Gonzalez pledged to do both. Gonzalez told the Ambassador that Paraguay's draft insurance regulations are ready and will soon be presented to Congress. Gonzalez appeared to take his new responsibilities as SEPRELAD director seriously. While Gonzalez said all the right things, political will (of both the Paraguayan government and Gonzalez himself) and budgetary constraints may continue to serve as obstacles to SEPRELAD's success. We should begin the confidence-building exercise with Gonzalez, but exercise caution in sharing sensitive information until such confidence is confirmed through a pattern of accomplishments.  
END SUMMARY.

[¶](#)2. (C) Ambassador Cason discussed USG expectations of SEPRELAD, Paraguay's Secretariat for the Prevention of Money Laundering (SEPRELAD), with its new director, Gabriel Gonzalez, August 30. Gonzalez requested the meeting via an August 17 letter to the Ambassador. DCM, Pol/Econ Chief, and RLA were also in attendance.

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SEPRELAD ABANDONED, FACING BUDGETARY CONSTRAINTS  
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[¶](#)3. (C) Gonzalez began by expressing his disappointment that the Paraguayan government "abandoned" SEPRELAD as an institution and allocated only USD 200,000 to the organization for the coming fiscal year. He lamented that he had only three SEPRELAD investigators left when he took over

in August, but that he already hired four more. His goal is to have ten trained investigators by year's end, and to eventually have a full staff of fifteen, but cautioned the Ambassador that getting SEPRELAD back up to speed will be a long-term venture. Gonzalez complained that his staff is underpaid, thus creating difficulties in recruiting top-tier professionals. He also noted that morale within the unit is low. The Ambassador acknowledged Gonzalez' observations, noting that because SEPRELAD failed to analyze or distribute the financial information it received, the USG lost confidence in it. Gonzalez promised to work toward making SEPRELAD a fully functioning entity, and thanked the Ambassador for past USG support and donations of "first-rate" software and equipment.

¶4. (C) The Ambassador noted that Gonzalez would have to work to re-establish U.S. confidence and suggested that Gonzalez demonstrate his leadership by agreeing to submit (along with his staff) to regular polygraphs. Without hesitation, Gonzalez said he would gladly submit if polygraphs are a pre-condition to U.S. assistance. The Ambassador suggested polygraphs every six months; Gonzalez offered to submit on a monthly basis. Polygraphs will begin in the next couple of weeks.

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GAFISUD AND EGMONT OBLIGATIONS  
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¶5. (C) Ambassador urged Paraguay to pay its late dues to the Financial Action Task Force for South America (GAFISUD)-- now USD 76,170-- by December 2007 in order to avoid suspension from the organization (reftel B). Gonzalez assured the Ambassador that the matter would be resolved within approximately 15 days. He said President Duarte will soon sign a presidential decree ordering payment of half of the debt now; he expects Paraguay will pay the remaining balance before May 2008 via funding it receives in a supplementary budget request.

¶6. (C) The Ambassador also urged Gonzalez to take leadership in passing terrorist finance legislation before the Egmont Group's May 2008 plenary so Paraguay can retain its membership in that group. Gonzalez acknowledged the importance of terrorist finance legislation in Paraguay, expressing concern about the large sums of money laundered in Paraguay, and the fact that many illegal industries are connected. To that end, Gonzalez commented that the Paraguayan government should work to close unlicensed exchange houses which facilitate illegal flows of money, as well as regulate pawn shops and casinos. He said Paraguay should also enforce customs declarations of bulk cash upon entry into the country. Gonzalez conceded that the current Congress is not likely to place terrorist finance provisions back into the pending penal code, and promised to take the initiative to present separate legislation to Congress. Gonzalez said the new law will be ready to present to Congress by May, but that the April 2008 elections would likely complicate matters. He said he would be more realistic to present the bill to the new Congress in August 2008.

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INSURANCE REGULATIONS  
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¶7. (C) Gonzalez told the Ambassador that Paraguay's draft anti-money laundering regulations for the insurance sector are ready and will soon be presented to Congress. (NOTE: These regulations will require insurance companies to report information to SEPRELAD, keep records, and conduct due diligence in accordance with accepted international best practices. END NOTE). Gonzalez' unit is currently circulating the regulations amongst the other ministries who are members of SEPRELAD for their approval. The Ambassador noted if Paraguay wants to host a regional conference on best practices in the insurance industry, Paraguay should first get its regulatory house in order. Gonzalez agreed, and

expressed interest in hosting the conference. (NOTE: One had been planned to be held here this fall, but the USG withheld its support, given SEPRELAD's non-functionality. END NOTE).

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COMMENT/ACTION REQUEST  
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¶8. (C) COMMENT: Gonzalez appeared to take his new responsibilities as SEPRELAD director seriously. He seemed as if he had been on the job for two months instead of only two weeks, even sending the Ambassador a letter on August 30 following their meeting to reiterate his commitment to pay Paraguay's dues to GAFISUD. Gonzalez' past experience in the banking sector is a strong plus, as is his understanding of Paraguay's international obligations. While Gonzalez said all the right things regarding how SEPRELAD will move forward, political will (of both the Paraguayan government and Gonzalez himself) and budgetary constraints may continue to serve as obstacles to SEPRELAD's success. We should begin confidence building exercises with Gonzalez, but exercise caution in sharing sensitive information until such confidence is confirmed.

¶9. (C) ACTION REQUEST: Gonzalez requested immediate software training for his new investigators to ensure that SEPRELAD can maximize its use of the U.S. software and equipment. Gonzalez also asked for assistance in drafting a step-by-step operations manual for financial investigations. Please advise whether Treasury's Office of Technical Assistance (OTA) can provide additional software training in the short term, as well as assistance in drafting a financial analysis operation manual, if such a manual does not already exist. In the interim, post is moving forward to schedule polygraphs.  
END ACTION REQUEST.

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